

## Revenue Estimating Conference

The House Fiscal Agency prepares the **Michigan Economic Outlook and HFA Revenue Estimates** document twice annually in advance of the official Revenue Estimating Conference conducted under state law by the House Fiscal Agency, the Senate Fiscal Agency and the Department of Treasury. The most recent 1997 conference was held on May 22. An Executive Summary is provided below.

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### EXECUTIVE SUMMARY

Michigan experienced very respectable economic growth throughout Fiscal Year (FY) 1995-96. General Fund/General Purpose (GF/GP) revenues grew approximately 6.4%, and dedicated School Aid Fund (SAF) revenues grew approximately 5.6%. Michigan's unemployment rate averaged about 4.9 % in 1996, remaining below the national average rate of 5.4%; and inflation was under control at approximately 2.8%. The House Fiscal Agency expects the current economic expansion to continue through FY 1997-98. The most important aspects of our forecast are summarized below.

#### U. S. Forecast

On a calendar-year basis:

- Real GDP growth will increase from 2.4% in 1996 to 3.7% in 1997, and decline to 2.0% in 1998.
- Inflation will remain moderate: 2.5% in 1997, and 2.4% in 1998.
- Light vehicle sales will total 15.1 million units in 1997, and 14.8 million units in 1998.
- The national unemployment rate is expected to remain stable at 5.0% in both 1997 and 1998.
- Short-term interest rates will average 5.3% in 1997 and increase to 5.5% in 1998.

#### Michigan Forecast

On a calendar-year basis:

- Michigan personal income growth increased by 4.4% in 1996, and will increase by 5.4% in 1997, and 4.6% in 1998.
- Michigan unemployment rates will average 4.7% in 1997 and 4.8% in 1998.
- Inflation, as measured by the Detroit Consumer Price Index, will decrease from 2.7% in 1996 to 2.6% in 1997, and decrease further to 2.5% in 1998.

#### State Revenues

- Total baseline GF/GP and SAF revenues were \$15.9 billion in FY 1995-96, will increase 5.5% to \$16.8 billion in FY 1996-97, and by 4.0% to \$17.5 billion in FY 1997-98. Baseline revenues do not include prior year fund balances or reflect the effects of recent tax policy changes.
- The Countercyclical Budget Stabilization Fund balance will reach \$1.2 billion in FY 1996-97, and \$1.3 billion in FY 1997-98.
- Total state revenues will be below the state revenue limit by \$1.2 billion in FY 1996-97, and by \$1.4 billion in FY 1997-98.

#### Year-End Fund Balances

- The year-end GF/GP balance was \$91.3 million in FY 1995-96, and is expected to be \$176.5 million in FY 1996-97. Pursuant to Public Act 431 of 1984 as amended, the FY 1995-96 year-end balance is to be appropriated to the Countercyclical Budget Stabilization Fund (BSF). Under current law, any FY 1996-97 year-end balance will lapse to the GF/GP in FY 1997-98.
- School Aid Fund (SAF) year-end balances were \$120.2 million in FY 1995-96 and are expected to be \$177.6 million in FY 1996-97.
- Countercyclical Budget Stabilization Fund year-end balances are estimated to be \$1,153.6 million in FY 1995-96, \$1,228.8 million in FY 1996-97, and \$1,308.8 million in FY 1997-98.

**Table 1** reports GF/GP and SAF revenues in terms of baseline and actual revenues.

- Baseline revenues do not include the impact of partial-year policy changes or certain policy changes that have only recently occurred.
- Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenues that are driven by changes in the economy.
- Actual revenues capture the effects of all policy changes and year-end fund balances, and represent resources actually available.

**TABLE 1**

<b>HFA REVENUE ESTIMATES (IN MILLIONS)</b>			
	FY 1995-96	FY 1996-97	FY 1997-98
<b>BASELINE</b>			
GF/GP	\$7,990.6	\$8,484.6	\$8,818.0
SAF	7,938.4	8,328.0	8,660.0
TOTAL	\$15,929.0	\$16,812.7	\$17,478.0
<b>ACTUAL</b>			
GF/GP	\$8,523.8	\$8,382.1	\$8,774.2
SAF	7,858.8	8,522.8	8,907.9
TOTAL	\$16,382.6	\$16,904.9	\$17,682.1

Table 2 reports the difference between the January 16, 1997 Consensus Revenue Estimating Conference revenue estimates and the revisions to the FY 1997-98 forecasts that will be recommended by the House Fiscal Agency at the May 22, 1997 Consensus Revenue Estimating Conference.

**TABLE 2**

<b>FY 1997-98 BASELINE FORECAST REVISIONS (IN MILLIONS)</b>			
	JANUARY 1997 CONSENSUS ESTIMATE	MAY 1997 HFA ESTIMATE	RECOMMENDED REVISION
<b>BASELINE</b>			
GF/GP	\$8,734.9	\$8,818.0	\$83.1
SAF	8,592.3	8,660.0	67.7
TOTAL	\$17,327.2	\$17,478.0	\$150.8

For a copy of the entire Revenue Estimating Conference document (with accompanying graphics), please contact [Mitch Bean](#) or call the HFA office at 517.373.8080.

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